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AIR FORCE ONE REPLACEMENT PROGRAM

HEARING

BEFORE THE

RESEARCH AND DEVELOPMENT SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS

FIRST SESSION

DECEMBER 17, 1985

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AIR FORCE ONE REPLACEMENT PROGRAM

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
RESEARCH AND DEVELOPMENT SUBCOMMITTEE,
Washington, DC, Tuesday, December 17, 1985.

The subcommittee met, pursuant to call, at 10:15 a.m., in room 2212, Rayburn House Office Building, Hon. Frank McCloskey presiding.

OPENING STATEMENT OF HON. FRANK McCLOSKEY, A REPRESENTATIVE FROM INDIANA

Mr. MCCLOSKEY. The subcommittee will come to order.

I hope before too long we will have Mr. Dickinson here, who has a prime interest in today's testimony. He is on the House floor but hopefully will be with us soon.

This morning the subcommittee will receive testimony from Mr. Donald C. Latham, Assistant Secretary of Defense for Command, Control, Communications, and Intelligence on the need for a replacement for the Air Force One aircraft.

Mr. Secretary, I will state at the outset that while we can understand the desire to replace this aircraft, we do not appreciate the Department's approach to request appropriation for a program that has not been authorized. Additionally, we neither understand nor can we support a $465 million program to modify an existing aircraft for this purpose. We are told that this figure is simply a planning wedge; however, history tells us that programs are often structured to accommodate the wedge.

We need a great deal of information before this subcommittee will offer a positive recommendation to the full committee. Having established the framework for this meeting, I will ask you to proceed with your statement. I am hopeful that you can go beyond your statement and provide more substantive cost data and various alternatives.

By the authority granted by a rollcall vote during our last subcommittee hearing, we will proceed in executive session.

STATEMENT OF DONALD C. LATHAM, ASSISTANT SECRETARY OF DEFENSE FOR COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE

Mr. LATHAM. Thank you.

If I might, I would like to submit my statement for the record and I would like to use a few Vu-Graphs and try to go into this in the additional detail you have asked for.

[Mr. Latham's prepared statement follows:]

PREPARED STATEMENT OF DONALD C. LATHAM

Mr. Chairman and members of the committee. Thank you for the opportunity to talk to you today on the Department of Defense initiative to replace the Air Force One aircraft.

In August of this year, we initiated action to replace both of the President's aging aircraft. These aircraft are 13 and 23 years old respectively and are becoming difficult to maintain and support. In addition, they do not meet FAA noise standards, have insufficient range, performance and payload and lack the sophisticated communications equipment necessary for the President to carry out his duties as the Head of State and the Commander-in-Chief of the U.S. military. Because of his latter responsibilities, we think it is imperative to improve not only the aircraft survivability, but its connectivity with the other national command authorities. Improved range and performance along with electromagnetic pulse (EMP) hardening and updated communications are key to meeting these requirements. The increased range of a new Air Force One will be of significant day-to-day value. It will allow elimination of intermediate refueling stops needed today during overseas travel. These stops not only interrupt the President's schedule, but require substantial amounts of coordination, expense, political considerations, and prepositioning of people and equipment. Additionally, the increased range will permit a rapid return to Washington in the event of a contingency. We considered modifying the present aircraft to accommodate the new requirements, but found that only a small percentage of the current and future requirements could be met and that it would not be cost effective. After carefully considering the alternatives, we determined that the only acceptable course of action was to replace the aircraft with new, FAA certified wide-body aircraft with three or more engines. Also, to insure that the President is not put at risk because of untried or unproven technology, we believe the aircraft type must have been in commercial airline service for a minimum of two years.

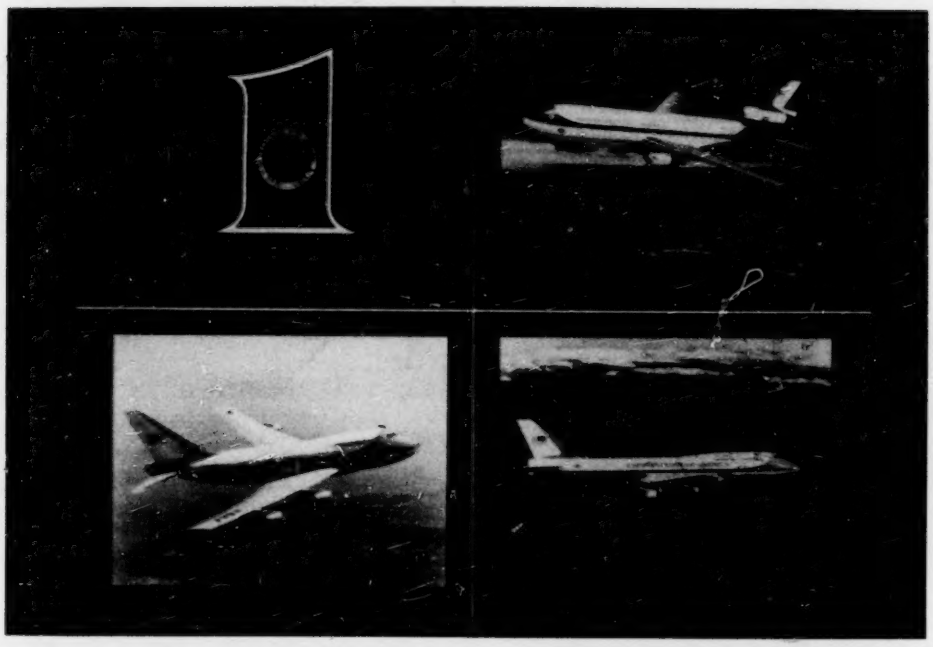
The purpose of the Air Force One Replacement Program is to procure two new aircraft, configured to meet Presidential requirements, with the first aircraft delivery in late 1988. Including hangars and initial spares, we estimate the cost of the program to be in excess of $400M. We will include a request for funding in the FY 87 President's Budget. Our plan is to issue a Request for Proposal (RFP) for the replacement program by December 31, 1985. Actual costs will not be known until we receive bids from the contractors.

We had known for some time about the deficiencies I've described above, but did not realize until August 1985 that we would be unable to hold a competition if we did not act immediately. After an analysis of the current requirements for Air Force One, we found that only two manufacturers produce aircraft that can meet these requirements. These aircraft are the McDonnell Douglas DC–10 and the Boeing 747. McDonnell Douglas has stated that they will not be able to bid on this program if a contract cannot be awarded by April–May 1986. The basis for this is that the KC–10 production line is closing down, and they must use this line to produce the DC–10. We believe competition is paramount to this program in terms of reducing costs and maintaining public credibility in Department of Defense procurement. In order to conduct the competition and award a contract in April–May 1986, we require approval for a new start and approximately $35M in FY 86 funds.

The House had passed the FY 86 Defense Authorization Bill, and the conference had been completed when we initiated this program in August 1985. This posture forced us to choose among a reprogramming request, deferral of the program until submission of the FY 87 budget, or an extraordinary request. On October 4, 1985, the Secretary of Defense personally wrote to the Chairman and ranking minority member of the Armed Services Committees, seeking approval of the replacement program. In an effort to coordinate both the authorization and appropriation for this program, we also informally approached the Appropriations Committee and advised them of the need for FY 86 funds to conduct the competition. We strongly believe that it was the only way to insure funds are obtained in time to have a competition. Throughout this process, we have tried to proceed with proper regard for the requirement of authorization of all defense programs. As you are aware, we have provided interested members and your staff with any information they requested about the program.

In that Representative Dickinson's amendment requires that the Air Force One Replacement Program be authorized before funds can be expended, we would hope that today's hearing will lead to a recommendation to the full Authorization Committee.

Thank you. This concludes my prepared remarks.



Mr. LATHAM. Sir, these are the candidate airplanes for a replacement aircraft. The one on the lower left is a 747-SP version of the 747. The one on the lower right is a 747-300, which is another version of that aircraft, and has additional capabilities which I will show you in a minute. Up in the right-hand corner is a DC-10 that is today flying as a commercial airliner, and as you know we are buying 60 military tanker versions of those, as KC-10's for the airborne refueling mission.

Mr. MCCLOSKEY. What is the one on the lower right?

Mr. LATHAM. It is a 747-300. That is the mainstay of the 747 fleet today. There are quite a few of those flying and the production line on that version is still open. The production line on the 747-SP is closed but could be reopened. The production line on the DC-10 is closed but the KC-10 line is still in existence, and one of the mechanisms in the competition this year that I will go over is that we would have to use two of the KC-10's in order to build DC-10's for the Presidential One aircraft.

If you look at the current Air Force One aircraft, of which there are two C-137C aircraft, there are a number of [deleted] deficiencies and limitations. One could say there is never a good time to try and replace an aircraft like this, but it has gotten to a point that this one, the two we have, are in [deleted] need of replacement.

The deficiencies are noted here. In particular, in the [deleted].

In the area of takeoff and landing, I will mention that we have a problem with the current aircraft. The footprint of this aircraft today as compared to the 747 as an example or a DC-10, and its

capabilities are such that we can't, for example, with the current aircraft today, take off from 9,300-foot runway and obtain a 6,000-mile trip radius and that is one of the requirements on a new aircraft. We need more range so the President doesn't have to make so many intermediate stops on international travel.

I will come back to the footprint issue and I will show you a Vu-Graph on the range and endurance.

In the area of aerospace ground equipment and supportability, the type of aircraft the President flies in today, the 707, is essentially going to go out of service by about 1991. I will show you a curve with the drawdown of those assets. It is becoming much more difficult to physically support the aircraft.

In terms of the size and the payload, there are additional requirements that we believe are valid requirements for additional capability on board the aircraft. For example, on Air Force One today, the President can't even take a shower. He has a stateroom but he doesn't have a shower. There is no medical facility on today's Air Force One. We don't carry any medical facility onboard. It has very limited seating. We would propose some slight increase in seating. It has no staff support area, and so on, so we need a somewhat larger aircraft.

In terms of payload and range, we need an aircraft that has additional range and can carry additional communications payload as well as staff support.

Finally, today's Air Force One does not meet FAA noise standards, and we are actually in violation of noise standards.

Mr. BATTISTA. You talked about the 707 being difficult to support in 1991. Yet the Department is making plans, in fact you have got the AWACS fleet which is 707's.

Mr. LATHAM. It is a very different airframe, Mr. Battista.

Mr. BATTISTA. No; it is the same airframe with a 30-percent enlargement for the structure, the rotodome. Now you are talking about a C-18 for the JSTARS mission. There is another bunch of aircraft. I am not trying to underestimate the importance of this aircraft, but what I am getting at is if the Air Force wants to buy two dozen of those things for use in the battlefield, I would think that is certainly going to be a higher priority program in terms of supportability. You have got TACAMO as well. I can understand wanting to go to a 747, but I think it is not an accurate statement to say that we are going to lose our supportability. If we are, then I think we had better——

Mr. LATHAM. I said it would become more difficult. I didn't say we would lose it all. It is just going to become more difficult. I will show you a drawdown curve on the commercial 707 market. You are absolutely correct; we will have in the DOD inventory 707 like airframes for the next 20 years or longer of the AWACS variety, the E-6A hopefully and I guess the C-18 JSTARS. Let me show you a couple of things.

It is rather interesting on the takeoff and landing that you have a long roll with today's aircraft, and in fact with the 747-200, the E-4B. As noted here [chart deleted], we can use about twice as many airfields as we can with an aircraft that only weighs 200,000 pounds, the C-137 variety, so you actually have greater access to

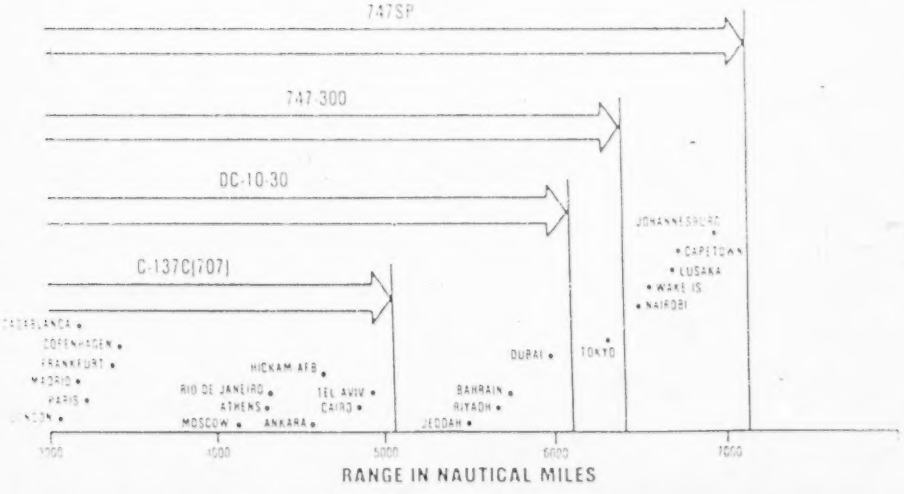
more runways even though the aircraft is considerably larger in size. This is also true of a DC–10.

AIR FORCE ONE

ACQUISITION STRATEGY

NONSTOP RANGE FROM ANDREWS AFB

- PRIME RUNWAY 9300 FT (1L/19R)
- ISA + 20°C TAKEOFF
- AIR FORCE ONE RESERVES



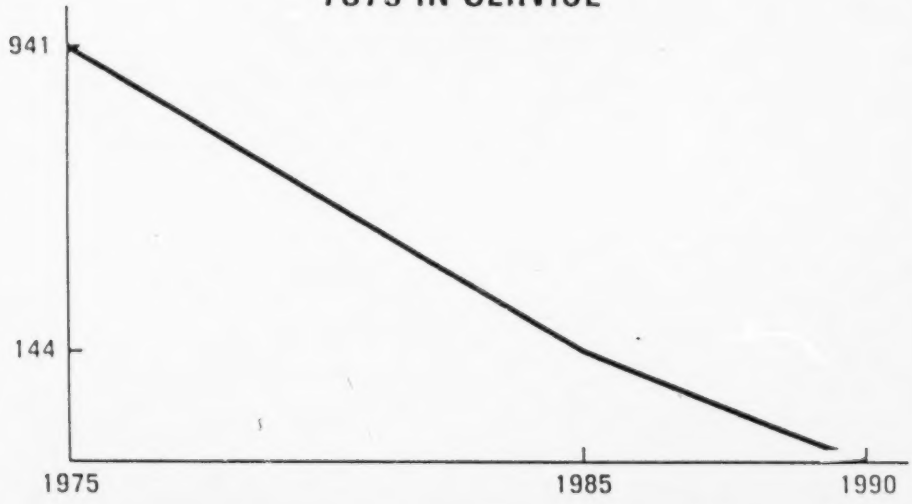
If you look at the range requirements and what you can actually generate on range out of these various types of airframes, you see here today that the current Air Force One aircraft is [deleted] limited in range. That is the lower curve chart there, and it increases as a function of the different types of airframes that we are talking about, with the 747–SP having the longest range of any of the candidate airframes.

What we are saying is that we would like to have a capability to take off from a 9,300-foot runway and have 6,000 miles unrefueled range capability on this aircraft, so the President does not have to make so many intermediate stops in travel, raising security and all sorts of arrangement issues and things like that.

BACKGROUND

AGE AND SUPPORTABILITY

707s IN SERVICE



Here is the drawdown on the 707 fleet. This does not include the DOD aircraft per se, as you point out, Mr. Battista, but the commercial world of 707's will be going away by the early 1990's and I am sure there will be a lot in the used airline market. But in terms of general support for this type of airframe, it is getting more difficult to achieve.

Mr. BATTISTA. What does the overlay on the 747 look like on that curve?

Mr. LATHAM. I don't honestly know.

Mr. BATTISTA. I don't think it would be very far off as far as the slope.

Mr. LATHAM. The are still producing 747's brand new, of course, and now they are introducing at 747-400. They have already received several orders for that aircraft, so I see a 747 derivative-type aircraft around well into probably the year 2000 or longer.

There is an issue that we think is quite important on this, and that is the issue of competition. You could have asked the question—I am sure you will—why didn't you guys raise this thing a long time ago. Why didn't you bring this thing into the President's budget some time ago and not have to go through what we are going through today. The truth is that we have been trying to get the requirements defined as to what the President really needs in the way of a new aircraft to replace the current airframes.

The way we do that is that there is a Senior Review Group [SRG] of which I am the DOD member, chaired by the head of the White House Military Office, and on the SRG sits Office of Management

and Budget [OMB]. There is also a gentleman from the Vice President's Office and the Deputy National Security Adviser also sits on that group, and we review the requirements for all presidential support. They brought this to us a few months ago and we said, OK, you have finally got it together where we think we understand it. We trimmed it down, and so we came forward with it.

AIR FORCE ONE

THE "WINDOW OF COMPETITION" IS NARROW

- COMPETITION IS PARAMOUNT
- MUST INITIATE PROGRAM NOW TO GUARANTEE COMPETITIVE PROCUREMENT
  - ONLY TWO COMPETITORS QUALIFIED - McDONNELL DOUGLAS AND BOEING
- KEY FACTORS
  - ORDERS FOR BOEING 747 EXTEND INTO 1988
  - DOUGLAS KC-10 PRODUCTION LINE CLOSES IN DEC 1987
    - LAST KC-10 AIRCRAFT BEGINS PRODUCTION IN MAY-JUN 1986
      - MUST AWARD CONTRACT BY THEN TO CHANGE FROM KC-10 TO DC-10 CONFIGURATION
- CONTRACT AWARD AFTER MAY-JUN 1986 WILL BE SOLE SOURCE TO BOEING

At the same time, we discovered that the DC–10 competition issue had come up and that the only way we could really have competition—and we feel we must have it—is that there is a window available that McDonnell Douglas has agreed to bid against Boeing, provided we can meet this window. The way we can meet the window is that the Air Force would have to forego the delivery for about a year of two of the last two KC–10 aircraft, in order to make two airframes and other avionics and so on available in order to meet the schedules that we have set for this procurement. There is a real competition issue. So our point here is that we would like to be able to insure that we have competition. Both Boeing and Douglas said they will bid. The way the RFP, draft RFP is structured right now, they think they can bid to the requirement and that the DC–10 is a viable candidate.

Mr. McCLOSKEY. Could you elaborate a little more on the security communications aspects?

Mr. LATHAM. Yes, sir.

[Deleted.]

Because the situation has gotten as serious as it has, you have both authorized and appropriated some money in a reprogramming action that we brought over here recently, to put in what we call

the midterm upgrades to the nine special airlift aircraft that are based at Andrews. What we intend to do is take two of those sets of equipment that were headed for the midterm upgrade, and we will use these in Air Force One. They will make the core component of the communications upgrade to the new Air Force One. We will then later on add some of these newer communication media like Milstar, when it becomes available, the terminals, as a required capability in the out years.

Mr. MCCLOSKEY. You say you are funding part of the communications upgrading in this request and part later?

Mr. LATHAM. Part of this is being funded in the—part of the communications that would go into the aircraft, these two new aircraft, is being funded in the midterm upgrade in that we would divert two of those complete sets of equipment out of the older nine aircraft that are over there at Andrews now. We would reduce the fleet by two, take them out of service. We would put these two new aircraft in, and they would use this midterm equipment. That is one of the things that you will see reflected in the new cost figures here in that we dropped the cost down, reflecting the use of that midterm communications equipment.

Mr. MCCLOSKEY. Maybe I am not following all this, but do these cost figures include all your communications upgrade?

Mr. LATHAM. Yes, sir.

Mr. BAYER. Do they include the Milstar?

Mr. LATHAM. They do not include a Milstar terminal yet, they do not. Let me touch on that point. As I said—and I would like to keep this within the confines here—we have got to have competition to drive the price down, and we think we are going to get a very good price. When I show you the dollar figures that we have for procurement and R&D and frankly, the procurement numbers are what we best estimate we think they are going to be, and certainly the contractors probably know those numbers. We think the competition here for the prestige of having the next aircraft is going to drive the numbers even lower, so we have got to do that.

Now, if I insist on Milstar terminal and a radome and all of that in the baseline aircraft, Douglas said they won't bid. I have got to keep them in the program. Later on we will bring that in as a required capability. The issue with it is the radome and the icing problem into that third engine that is up on top of the aircraft in the DC-10 configuration. They are just not sure about how to engineer that so they have been playing fairly hard on that. We will have to address that as a later-on requirement, so it is not in the baseline cost at this time.

Mr. STRATTON. Can I ask a question, Mr. Chairman?

Mr. MCCLOSKEY. Mr. Stratton.

Mr. STRATTON. This is an R&D Subcommittee, but you are going to have to procure these items.

Mr. LATHAM. Yes, sir.

Mr. STRATTON. And money is getting tight. Do I understand that you are proposing to get two aircraft?

Mr. LATHAM. Yes, sir.

Mr. STRATTON. Either the DC-10 or the 747?

Mr. LATHAM. Yes, sir.

Mr. STRATTON. And what would be the total cost of that?

Mr. LATHAM. I will show you the totals in just a few minutes, sir. The numbers appear to be something on the order of a little over $200 million right now is where the number is hovering, R&D procurement of the airframe and the back-end suite plus there will be some spares on top of it.

Mr. STRATTON. You say $300 million?

Mr. LATHAM. I will show you on the last Vu-Graph. I have the cost data, sir.

Mr. STRATTON. What are the limitations of the 707 that are now operating? It is a fuel burner and I gather that there is not enough room for the staff and that it needs an electromagnetic pulse protection. Are those the major reasons?

Mr. LATHAM. Let me give them again, sir. Those are good ones, that is true. The aircraft, one of the aircraft is 25 years old. The other is 13 years old, of the two current Air Force One aircraft. They have the limitations you have noted. [Deleted.] The midterm upgrade, we would employ [deleted] systems. There is no medical facility on the aircraft.

Mr. STRATTON. What about the 727; that doesn't consume fuel any where near what the 707 does, and it has longer space?

Mr. LATHAM. No, sir. That is a smaller aircraft. The 767.

Mr. STRATTON. I am talking about the 727. We have talked to the pilots of these aircraft when we were flying with a special mission of the fleet, and they said these 707's were really just gas-guzzlers, and you guys ought to get something that will not consume as much. And my understanding was that their recommendation was that a 727 would be a lot better than the 707.

Mr. LATHAM. I don't think so, sir; in that, No. 1, the 727 is a much smaller aircraft than a 707, even the stretch versions of it. It is a three-engine aircraft, so you could certainly save on fuel compared to a four-engine aircraft, but it doesn't have the range or payload or volumetric capability to support anything like the Presidential mission, sir.

Now, they may have been saying something about the new 767, which is one of the two new Boeing aircraft that were recently introduced. That is a much bigger aircraft. But when you go down the list of requirements of 6,000 miles unrefueled from a 9,300-foot runway, and so on, that aircraft will not meet these requirements either. You are back to a wide-body aircraft as about the only choice if you really want to incorporate all of these communications suites, antennas, and things like that.

Mr. STRATTON. Mr. Dickinson.

Mr. DICKINSON. Mr. Latham, do they make 727's anymore?

Mr. LATHAM. I don't know.

Mr. DICKINSON. It is my understanding that they don't even have a production of the 727.

Mr. LATHAM. I don't think they do anymore, and it is a very short-range aircraft. I don't think they even make them. You would have to try to get the line reopened.

Mr. DICKINSON. That is my recollection.

Mr. LATHAM. Yes, sir.

Mr. DICKINSON. They discontinued that line along with the 707.

Mr. LATHAM. It is an old airframe.

Mr. DICKINSON. When they started with the 747, 757, 767?

Mr. LATHAM. Right.

Mr. SPRATT. What is the difference in cubic feet between the 747 and 767?

Mr. LATHAM. We have got square footage.

Mr. SPRATT. Is that operating space? You are including space? Your are including on the 747 the lower deck, lower cargo deck?

Mr. LATHAM. Total floor space.

Mr. SPRATT. You only use the lower cargo deck for people?

Mr. LATHAM. No.

Mr. SPRATT. You are going to lower the passenger deck down to the cargo deck to get more height? It is going to be the same deck?

Mr. LATHAM. Yes.

Mr. SPRATT. The way you get 5,100 square feet is by taking the square footage on both decks?

Mr. LATHAM. Yes.

Mr. SPRATT. The passenger deck, what is that, about 2,500 square feet?

AIR FORCE ONE

AMERICAN MANUFACTURED AIRCRAFT IN COMMERCIAL AIRLINE SERVICE

(STILL IN PRODUCTION)

AIRCRAFT TYPE	THREE OR MORE ENGINES	6000 NM FROM 9300' RUNWAY	2500 NM FROM 7000' RUNWAY	MEETS INTERIOR SPACE REQUIREMENTS
B737	NO	NO	YES	NO
MD-80 SERIES	NO	NO	YES	NO
B757	NO	NO	YES	NO
B767	NO	NO	YES	YES
DC-10	YES	YES	YES	YES
B747SP	YES	YES	YES	YES
B747 300	YES	YES	YES	YES

Mr. LATHAM. We have got some comparisons like this. I can get you the exact square footages and stuff, but there is one set of requirements there. We need an aircraft with three or more engines, is another requirement. We need an aircraft that is built here in the United States. An airbus is out even though that is a wide-body large aircraft. This is a comparison of the various airframes we have considered. You can see that when you look at the fundamen-

tal requirements, the three aircraft at the bottom are the only three that really come in meeting all the basic requirements.

Mr. McCLOSKEY. We can't really see that chart.

Mr. LATHAM. Three or more engines.

Mr. SPRATT. The 767 doesn't have a third engine but it is intercontinental. What is the range of the 767? Is the third engine for safety purposes?

Mr. LATHAM. You want that for safety purposes, performance. I don't have a range-time performance curve on the 767. It will meet this requirement 2,500 miles range and the interior space requirement and as such the 767 does meet the space requirement inside. In that sense, it could be a candidate.

I talked to the Boeing people. They don't believe they would bid that particular airframe.

Mr. STRATTON. The 767 I think they been certifying for two engines to fly the Atlantic. They have got these GE engines built by—what is it—CFM 56.

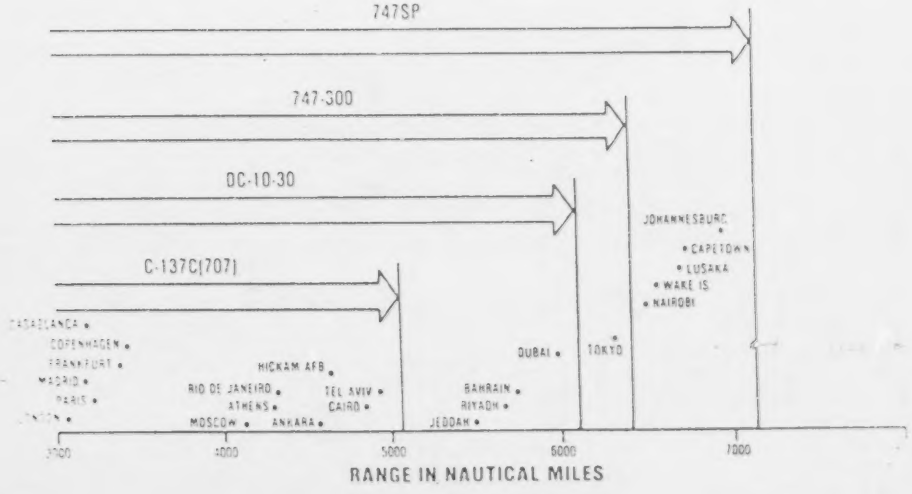
Mr. LATHAM. Let's put the range one back up, the one that has the range curve on it. The 767 range is 4,500 nautical miles for the case we considered.

AIR FORCE ONE

ACQUISITION STRATEGY

NONSTOP RANGE FROM ANDREWS AFB

- PRIME RUNWAY 9300 FT (1L/19R)
- ISA + 20°C TAKEOFF
- AIR FORCE ONE RESERVES



Mr. SPRATT. Is that off a 9,300-foot runway?

Mr. LATHAM. Yes.

Mr. SPRATT. Why is the 9,300 feet important?

Mr. LATHAM. That is the Andrews runway right now. We picked that as a data point.

That is the range performance there, and you can see what we are faced with today, the current aircraft doesn't have very much legs, and it does use a lot of gas. One of the points in favor of the DC-10 in this competition is that it is three-engine aircraft, and as a result when you look at the 30-year lifecycle cost of supporting three engines versus four and the fuel costs, you can run the aircraft cheaper, and a DC-10 is less expensive than a 747, so it is going to be a real competition to see how that come out.

Mr. SPRATT. Mr. Battista has an observation.

Mr. BATTISTA. How many hours a year do you put on Air Force One?

Mr. LATHAM. About 600.

Mr. BATTISTA. 600 hours. I am not trying to downgrade. Could you give us for the record—not here right now—the specific requirements that generated the charts that you have as far as takeoff and range and so forth?

Mr. LATHAM. Yes, we have those documents.

Mr. BATTISTA. The other thing, beyond the point of just being symbolic, why are you constrained to just buy brandnew aircraft? To give you an example, it wasn't but 3 years ago we could have procured some 747's with very low hours on them for $11 million a copy from some of the airlines. Why, for example, couldn't we buy a low hour—I mean as far as airframe hours, 747 or DC-10, or for that matter an L-1011, and save a lot of money? That is No. 1.

No. 2, I am not to sure I really comprehend the EMP characteristics of any of these aircraft. I know not too many years ago when we were making the case for the B-1, we took a B-52 to the trestle and found it was very much harder than we had anticipated. And the cost, I look at $24 million for EMP hardening. We spent $1.7 million hardening the command post, and we could have raised the level of EMP hardness of the B-52 for $300,000 a copy. I remember the old Bill Graham studies. When I look at the price tag you have got here, I am at a loss to understand where all this money is going. You know you are hit with Gramm-Rudman now, and this is a program, project or activity no matter how you cut it, so maybe you can explain: One, why a brandnew aircraft; two, where you get all of the dollars for EMP hardening; and the requirements I think if we can provide that for the record, that would be helpful.

Mr. LATHAM. We will be glad to provide the requirements for the record.

[The following information was received for the records:]

When the program was first proposed, EMP hardening was established as a firm requirement. When the Air Force developed their preliminary cost estimates, we did not know whether we would specify full hull hardening or a selective hardening of the flight controls, engine controls and the communications suite. Therefore, we initially estimated that the solution might dictate hull hardening. Since one of the prospective contractors, McDonnell Douglas, has had little or no experience with EMP protection of aircraft, we estimated that substantial money would be necessary for the design, fabrication and testing of an EMP hardened version of the DC-10. Subsequently, we determined that adequate EMP protection could be achieved by area and component hardening of the aircraft rather than hull hardening. This greatly reduced our cost estimate for EMP hardening the system.

The Department has extensive experience with used aircraft and the costs associated with them. Several times we have tried to buy low hour used airframes as a

cost-effective way to provide aircraft. Except in one instance, the bankruptcy of Laker Airlines, it has not proven cost-effective to obtain used aircraft. Most aircraft operators will not provide low hour aircraft; they prefer instead to give up the highest hour aircraft in their fleet, thereby avoiding the cost of FAA inspection and refurbishment which they know is coming. Correspondingly, if we buy used aircraft, it is necessary for us to inspect the aircraft, zero-time the engines, and replace or refurbish the interior at a cost which makes it noncompetitive with new aircraft. This is nowhere more evident than in the case of the TACAMO procurement. A solicitor to the Request for Proposal intended to bid used aircraft as a candidate for the TACAMO program. When all the bid preparation was completed, it was impossible for the company to make a competitive proposal and, therefore, they did not submit a bid for the TACAMO Replacement program. Finally, it is important to recognize we must provide the President the safest aircraft possible. To do this, we must know the history of the aircraft. For example, the Japan Airlines 747 that crashed shortly after takeoff in Tokyo several months ago had been inspected and declared airworthy. The accident investigation revealed that the aircraft had suffered structural damage from a hard landing and had not been repaired properly despite passing factory and other inspections. We cannot afford to have such a situation occur for the President.

Mr. LATHAM. Let me take the old versus new airframe. We have been through this endlessly on various procurements of aircraft. We went through this in a very detailed way looking at why not buy a used aircraft for the TACAMO mission instead of brand new E-6A's because as you point out, there are used aircraft on the market out there. Suppose you say I have to have an aircraft and I want to buy one that is going to go for 20 years or more. We have examined old/used airframes and we have to go back and zero-hour the engines or pull the engines out and put in better, more fuel efficient engines such as CM-56's. So it is a reengining job. You have really got to go back in and upgrade the avionics the engines and the airframes. By the time you are through you have between $25 to $30 million in the aircraft.

Let's go back to the JSTARS Program. We are going to buy low-hour apparently flyable 707's off the used aircraft market and turn them into a militarized aircraft. Before we even put any radar on board or any crew stations we must spend $25 or $30 million a copy to go back and make the airplane flyable. That is going in and making sure there is no corrosion, no problems with the airframe itself, with the new engines, avionics upgrades it will cost $25 to $30 million a copy and you still have a used airplane, so I am not sure you save.

Mr. BATTISTA. Wait a minute now. Let's assume the profile of 3 years ago. I could have bought them for $11 million.

Mr. LATHAM. I never heard of that price. I never heard so such a price.

Mr. BATTISTA. I can tell you that is a fact because I went to Mr. Montgomery, because he was interested in more airlift for the Reserves and the Guard, and he verified those numbers. In fact, Mr. Montgomery called the Air Force Chief of Staff, Lou Allen, and spoke to him.

Let's assume that is a fact. Let's assume your numbers are right, you are up to 36. As I understand it, you are giving us a price tag of $99 million for a new 747. That is one-third the price. That is still not a bad deal.

Mr. LATHAM. But it can't buy a 747-300 or even a 747-200 today for $11 million.

Mr. BATTISTA. Then what can you buy?

Mr. LATHAM. I will get you a number.

[The following information was received for the record:]

We have considered many new aircraft. Below is a list of the aircraft we have considered and their capability to meet three critical requirements.

Aircraft	3 or more engines	Distance 6,000 NM	Interior space adequate
Boeing	No	No	No.
McDAC–80	No	No	No.
Boeing 757	No	No	No.
Boeing 767	No	No	Yes.
McDAC DC–10	Yes	Yes	Yes.
Boeing 747	Yes	Yes	Yes.

Boeing and McDonnell Douglas have been consulted on the used market for both 747 and DC–10. These companies estimate that the used market for wide-body aircraft is asking between $35M and $50M for high hour (35,000 hours or greater) used aircraft. These airplanes would require extensive refurbishment, inspection and major modification to prepare them for a testing program. Additionally, there would be the problem of not knowing the condition of the aircraft before purchase.

Mr. BATTISTA. I would think you would have that number before you would commit to a new aircraft.

Mr. LATHAM. We have looked at this old versus new airframes endlessly, and if you want an airplane that is going to last 20 to 30 years, and that is what we are buying, it doesn't make sense to buy the old airframe and then try and patch it up and make it into a flyable, reliable aircraft that you are going to put the President in.

Mr. BATTISTA. Even if it is 3 years old? You just said we fly this thing about 600 hours a year. Now if you can make the case for a JSTARS 707 or an AWACS or certainly——

Mr. LATHAM. Why don't I use all used frames to put AWACS in. You can carry this to the extreme.

Mr. BATTISTA. I will give you the reason. Boeing had a problem. The line was going cold and we helped them out.

Mr. LATHAM. I don't agree with that at all.

Mr. BATTISTA. Well, that is history. That is the way it happened.

Mr. LATHAM. If you say so.

Mr. MCCLOSKEY. Mr. Dickinson had a couple of questions.

Mr. DICKINSON. Yes; I have a couple.

I think that the bottom line here is why would two aircraft cost $250 million?

Mr. LATHAM. Let me get to that.

Mr. DICKINSON. Each, and so I can understand the old versus new. What Tony was alluding to was a unique situation, which we should have taken advantage of, I thought, when Laker went out of business, and we had a lot of Government agencies doing the financing, have five or six of them sitting up in Greenland, I think, and we could have bought them for half of the going price. We went into it with the Air Force.

The Air Force said, "Fine, we will take them, but don't take them out of our budget." We got into that. I don't know that you can get that good an aircraft with those low hours for those lower dollar figures today because that was unique.

Mr. BADHAM. Will the gentleman yield?

Mr. DICKINSON. Yes.

Mr. BADHAM. Was this the four DC-10's for $100 million?

Mr. DICKINSON. Five of them, I think.

Mr. BADHAM. You are talking $20 to $25 million?

Mr. DICKINSON. Yes; so what made us maybe suspicious is not the word, but at least it raised a flag with us on the committee with the high numbers that you came in with, I am talking about the administration—that came in with almost $100 million for the basic airframe, and then $150 million.

You had a big R&D factor in there, it was $99 million.

Mr. LATHAM. Yes, sir.

Mr. DICKINSON. $99 million R&D for what?

Mr. LATHAM. I have some new numbers for you.

Mr. DICKINSON. You fall back, you follow up with a sharper pencil and you have got them cut down to what, $42 million?

Mr. LATHAM. $42 million.

Mr. DICKINSON. Ain't that something. We are going to question you again, and you come back with a sharper pencil, because we are getting tired of this ripoff business, not you, but I mean you come up with these great big figures and we go with them, then the money will be spent.

Mr. LATHAM. Yes, sir.

Mr. DICKINSON. And so we say, "No, we are not going to go that route, and you back off and come back in with a new set of figures cut in half." We are going to let you cut it in half again, because it is still too much money.

Thank you.

Mr. LATHAM. OK, sir.

Let me try and answer the questions a little bit more. First of all, the difference, and I will show you here in the chart is that we have reduced the RDT&E costs from $99 million down to $42 million. [Deleted.]

PRELIMINARY COSTS

[TY dollars in millions]

	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989	Fiscal year 1990	Total
RDT&E	$20.0	$9.1	$12.9	$0.2	0	$42.2
Procurement	$15.9	$168.4	$172.6	0	0	$356.0
Initial spares	0	$42.0	$7.9	0	0	$49.9
Quantity	0	1	1	0	0	2

Mr. DICKINSON. Why couldn't you have made the decision then? [Deleted].

Mr. LATHAM. Right.

Mr. DICKINSON. You were comparing the DC-10 with the 747. You harden the 747. You did that in the "Looking Glass" or whatever it is called. You have the experience. You know which way to go. You come in with these grossly inflated figures, and when we say no, then all of a sudden we get smart and you figure that you can cut it in half and we do it.

Mr. LATHAM. Let me try and defend the situtation this way: When we put the numbers together, and originally came over here

and talked about it, there is no question that those numbers were best estimate at the time, and we have since been working the heck out of those numbers.

Now all we have ever really asked for, if you look at the record, is $35 million. We say:

Give us $20 million of R&D, $15 million of procurement to get this program moving in 1986, and we will come back and you can beat the heck up out of me in 1987 on real numbers because by that time I will have a proposal from Boeing, one from McDonnell-Douglas and I will have real numbers.

Mr. DICKINSON. But, Don, you are making us buy in the blind. You are saying, "Trust me. These are the figures." Once we commit to it, we are committed to it. I don't care what your later figures are. It is done.

We have got $50 million sunk cost here and we are already going down the road.

Mr. LATHAM. Yes, sir.

Mr. DICKINSON. And so you can come back with a higher figure?

Mr. LATHAM. I won't come back with a higher figure.

Mr. BATTISTA. I just want to make one point on the point Mr. Dickinson made, Don. That is, the Air Force came in for an R&D program on the F-15 derivative flight of $151 million. They weren't sure they were going to go that way, so they put in the "planning wedge." That was $450 million. They picked the F-15. Do you know what McDonnell-Douglas was built to? $450 million, so the wedge tends to become reality.

On the point of this, I still don't understand the cost. I mean maybe you can get into the EMP aspects of its, because on the command post we bought hardened EMP avionics.

Are you really going to build this for [deleted].

Is that the kind of environment?

Mr. LATHAM. [Deleted.]

Mr. DICKINSON. Why don't you pull out some of the components you developed?

Mr. LATHAM. We will do that.

Mr. DICKINSON. Then it doesn't correlate with $42 million R&D.

Mr. LATHAM. Let's go ahead.

The chart says preliminary costs. It has got RDT&E procurement and initial spares down there, which I mentioned, we need the $35 million in 1986 to get going, and I will come back and we will make sure that those 1987 numbers are scrubbed down and what they really should be once we have got proposals in hand from the two manufacturers, but we do have to fund for spares.

We know we have to do that and there is going to have to be some R&D.

PRELIMINARY RDT&E FUNDING (TYS MILLIONS)

	FY 86	FY 87	FY 88	FY 89	FY 90	TOTAL
MISSION SUPPORT	.7	.3	.3	.2	-	1.5
COMM/NAV DESIGN	9.6	2.0	-	-	-	11.6
EMP HARDENING	9.7	6.8	-	-	-	16.5
EMP TEST	-	-	5.5	-	-	5.5
FLIGHT TEST	-	-	7.1	-	-	7.1
TOTAL	20.0	9.1	12.9	.2	-	42.2

The next chart breaks out the $42 million of R&D as best we can do it today. Now there is some money in there for EMP hardening and development for this particular airframe. If it is a DC-10, it has never been EMP hardened. That is a whole new ballgame. If it is a 747, the number will drop probably just because of the point you made.

We have already done the ones on E4B's. That is a 747-200. We know how to do that.

Mr. DICKINSON. How hard is a DC-10 today? Have you ever taken one to trestle?

Mr. LATHAM. No.

Mr. DICKINSON. To establish the degree of hardness?

Mr. LATHAM. No.

Mr. DICKINSON. So this is a wild number then. You don't know.

Mr. LATHAM. It is an estimate based on what we know from [deleted]. We know what it costs us to start from ground zero and [deleted] an airplane. We are not going to try to [deleted]. For example, on the [deleted].

We don't want to impose that penalty on the new aircraft. You have got to [deleted] so there is an esthetic issue as well, things like that. There has to be comm suite engineering done here. This is a unique brandnew comm suite. It has never been put in before using [deleted].

Mr. DICKINSON. It is unreasonable to ask you to take a DC-10, make some measurements, then come back and tell the subcommittee how much it is going to cost?

Mr. LATHAM. Do you realize what that would cost? First of all, we would have to find someone to give me one.

Mr. DICKINSON. You have the Air Force inventory.

Mr. LATHAM. I can take a KC-10 and divert, set up the trestle and run the test. That is probably, $1, $2, $3 million and it will take me 9 months to do it.

[Deleted.]

We found [deleted]. Then there is some money for flight testing. You know there is some uncertainty here in this R&D cost because there is uncertainty as to what the airframe is going to be.

If it is a DC-10, it is a much different story than if it is a 747 because we have been through it once with one and not the other, but there is comm engineering in either case on both airframes. That is the best we can break out the $42 million today.

Mr. DICKINSON. I would hate to think every time we go to trestle it is $1.5 million.

Mr. LATHAM. What do you think it takes to take an aircraft down there and reduce the data and all that? I bet it is $1 million. That isn't very much money in today's scheme of things when you look at what it takes, how many engineers and so on frankly.

Mr. DICKINSON. It is a lot of money.

Mr. SPRATT. Why is the flight test $7.1 million? Are you flight testing just the EMP?

Mr. LATHAM. You have got a brandnew airframe in the sense that it has got a completely different kind of payload on board, and for safety of flight and certification and so on, you want to go out and do some flight testing. Right now that is the best estimate of what it would take for so many hours of flight testing.

I don't know how the details—I can get the Air Force to tell me how they broke that down.

Mr. BATTISTA. You are not changing the CP, are you?

Mr. LATHAM. No; probably won't; no. You are putting antennas all over the thing. You have got a different configuration to some extent airframes, inside especially. You want to check out all the comm systems in flight. It doesn't take long to burn up money doing that. I want to be very sure that every single communications system operates in all the different altitudes, regimes, what have you, that I can get ground entry connectivity and so on.

PRELIMINARY COSTS

[TYs dollars in millions]

	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989	Fiscal year 1990	Total
RDT&E	$20.0	$9.1	$12.9	$0.2	0	$42.2
Procurement	$15.0	$168.4	$172.6	0	0	$356.0
Initial spares	0	$42.0	$7.9	0	0	$49.9
Quantity	0	1	1	0	0	2

We will come back at you with a better R&D figure and a better procurement figure in the 1986 timeframe for the 1987 budget. What we are saying is we would like to get $35 million authorized, $20 million R&D and $15 million procurement to get started and we will come back and bring in this thing very likely at a lower cost. It won't be built to cost.

Mr. SPRATT. What is the airframe itself? The conventional airframe?

Mr. LATHAM. The DC–10, our estimate is on the order of $60-plus million; 747, on the order of $90-plus million, if you went out and bought one today.

We have got hard numbers on that. I think it is about $65-some million and $97 million "sticker price."

Mr. SPRATT. So the add on over and above the conventional airframe is about $300 million; two airplanes, $75 million?

Mr. LATHAM. It is less than that.

Mr. SPRATT. I said airframe. That is a flyaway airplane with engines and everything.

Mr. SPRATT. If you say you bought the two 747's and that is $180 million, just to pick a round number out of that, then the rest of that is for the comm gear and the engineering to put it in there and all of the other stuff that you are putting in this aircraft.

Mr. LATHAM. Remember, you buy a green airplane, that is, you buy an aircraft with nothing on the inside of it, and then you stuff it, and this is an entirely new cabin arrangement with conference rooms for the National Security Council staff for 14 people, other seating for approximately 10 or 12 people over what we can seat today on the Air Force One.

There is a crew rest area in this aircraft. The President has a shower for the first time, things like that.

Mr. SPRATT. But the airframe and the engines, the flyaway conventional airplane, is somewhere between $120 million and $180 million.

Mr. LATHAM. Yes; that is correct.

Mr. SPRATT. And $300 million on top of that for the shower——

Mrs. BYRON. You are talking about three to one.

Mr. LATHAM. The total cost here, including those spares in round numbers is $445 million. Let me just round it up to $445 million, of which $200 million would be aircraft and the rest would be $250 million. That would be the most expensive aircraft example to include spares, back end, all engineering, and all testing. So if you take the spares out, it is like $200 million on top of buying the airframes.

Mr. SPRATT. Could we get a breakout for the record of the total procurement?

Mr. LATHAM. Yes, sir; sure.

Mr. SPRATT. I understand these are best estimates.

Mr. LATHAM. Yes, sir. We will get you that.

[The following information was received for the record:]

[In millions of dollars]

	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989	Total
RDT&E	$19.5	$9.0	$12.7	$0.2	$41.4
Procurement	280.0	34.5	0	0	314.5
Initial spares	0	39.9	7.4	0	47.3
Total	299.5	83.4	20.1	0.2	403.2

Mr. BATTISTA. Let me ask you, the Senate Armed Services or Appropriations Committee, in fact, in the continuing resolutions,

capped this program at $280 million. They said, "That is all you are going to get."

Are you saying you can't execute this program with that provision?

Mr. LATHAM. If you say the $280 million is for airframe procurement and you cap it at that, I am OK. If you say that it is R&D——

Mr. BATTISTA. That is everything.

Mr. LATHAM. Their language was $280 million plus $20 million of R&D plus no mention of spares. If you say the $280 million has to include the spares, I can't execute it.

Mr. BATTISTA. What does an airline pay for a skeletal 747 coming off the line today with engines?

Mr. LATHAM. I will get you the number. I don't want to give you the number. I am not sure, but what I was told is like a 747-300, it is a little over $90 million a copy.

Mr. BATTISTA. That is what a Pan Am or a TWA would pay for that bird coming off the line?

Mr. LATHAM. Approximately. I will get you the exact number.

[The following information was received for the record:]

Boeing says the price for a 747-300 is approximately $96M. This list price includes engines, but does not include the aircraft interior. Depending on the market, buy quantity, configuration, negotiations, etc., the price could be lower of higher. Northwest Orient recently purchased three 747-300s for a package cost that was reported to be approximately $270 million.

Mr. SPRATT. What about a 747? Do you know?

Mr. LATHAM. No, sir; I don't know the number on that.

Mr. SPRATT. Can you get us that?

Mr. LATHAM. Yes, sir.

[The following information was received for the record:]

Boeing says the cost of the 767-300 is between $59M and $71M. Most commercial sales of the 767 have been package deals for a combination of 767s, 757s, and 747s. This makes determining commercial costs for the 767 difficult. However, in Jul 84, New Zealand Airways purchased three 767s for approximately $150M. For your information, the 767 is larger than the existing Air Force One Aircraft, but is substantially smaller than the aircraft we are considering as replacements. The 767 could not accommodate currently identified requirements and certainly would not permit any further growth. In addition, because they only have two engines, they are restricted to certain international routes and do not provide the safety margin we believe is appropriate for the President.

Mr. SPRATT. Isn't the 747 down to a rather low rate of production at this time?

Mr. LATHAM. Yes, it is. The SP line is closed. The 747-300 line is still open, and they now have a 747-400 version that they are producing, which is a substantially changed aircraft from a 300. It has a different cockpit in the large. It has a different wing span and winglets and it uses composite materials in its, things of that nature. The 747-400 is an even more advanced version that they are going to produce. But it is true that they are down to allow rate now on the 747-300.

Mr. SPRATT. Not as low as the DC-10.

Mr. LATHAM. The DC-10 line is closed.

Mr. SPRATT. Except for the KC-10.

Mr. LATHAM. Except for the KC-10 and we would have to divert two of those in order to make the schedule. You asked me about the schedule. Let me show you that.

Mr. BATTISTA. Before you get to that, with the permission of the Chair, I would like you to go back to Bill Graham, who is now the Acting Director at NASA, who has more work in EMP hardening for the Air Force than anyone else I could think of, and I would ask that you get his opinion and report back to us on the estimate for the EMP development and hardening.

Mr. LATHAM. OK.

Mr. BATTISTA. You know Bill?

Mr. LATHAM. Sure, he came from R&D Associates.

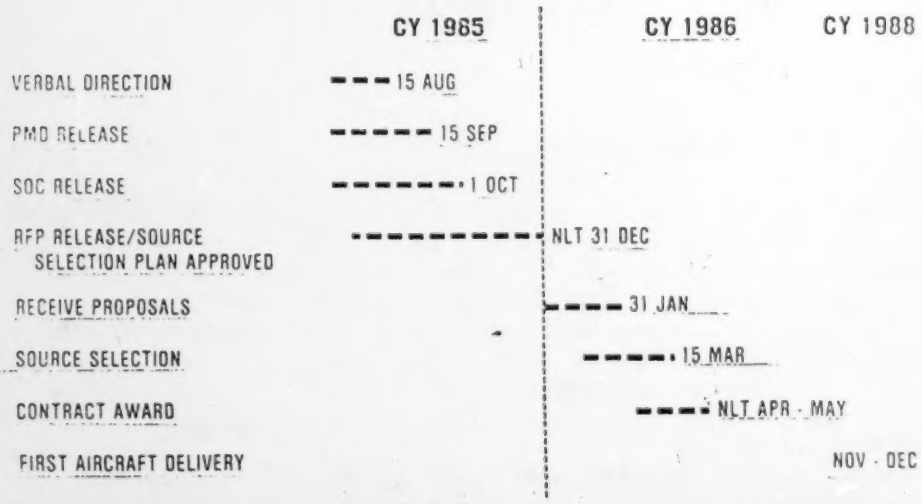
Yes; we will do that.

[The following information was received for the record:]

I have requested information from Mr. Graham and will report to you on the results of the inquiry. Additionally, we have reviewed the NEACP E-4B program and find that the costs directly attributable to EMP hardening on the R&D aircraft is $12M. The recurring cost for each of the subsequent aircraft is $4M. Based on this estimate, we feel that the cost which the Air Force has estimated ($16.2M for development and $5.4M for testing) is in line with the historical information that we have. The Air Force is intending to fund the entire EMP effort with the dollars that they have indicated. This is an estimate, depending on the contractor chosen and EMP hardening approach—these estimates will change.

AIR FORCE ONE

MILESTONE SCHEDULE



Mr. LATHAM. What we are proposing is a schedule that looks like this. We would like to release the RFP by the 31st of December and have the proposals back rather quickly. We would have a source selection as noted here by March, and a contract award in the April-May timeframe for a go ahead, with the idea to bring this airframe in by late 1988, probably about the October-November timeframe of 1988 would be the first delivery of the first aircraft.

This first aircraft delivery would be at the very end of this administration.

AIR FORCE ONE

AIR FORCE ONE REPLACEMENT

- EXISTING AIRCRAFT ARE DEFICIENT

(DELETED)

- TWO REPLACEMENTS WILL BE NEW, 3 OR 4 ENGINE WIDE BODY AIRCRAFT
  - DC-10-30, 747-SP AND 747-300 UNDER CONSIDERATION
- COMPETITION IS A MUST
  - MUST AWARD CONTRACT BY LATE SPRING 1986
- PRELIMINARY COSTS ESTIMATED TO BE $465M
  - NEED $35M IN FY 86
- FIRST DELIVERY IN LATE 1988

If I were to summarize where we are, we have a set of existing aircraft we feel are deficient in a number of areas. We want to procure two aircraft replacement using either a three- or four-engine new airframe of U.S. manufacture. We have to have competition.

The preliminary cost estimates are very preliminary as I have noted, and we take first delivery in late 1988.

Are there any other questions, sir?

Mr. McCLOSKEY. Does anyone have any other questions?

Mr. Courter.

Mr. COURTER. Yes; just once again on the 767. Is your only concern or is there more than one concern about the 767, and that is the length of the runway that it needs in order to take off?

Mr. LATHAM. Its range, sir, is a critical factor in the performance of the aircraft. It has about a 4,500-nautical-mile range unrefueled from even the longer runway, and that puts us back in the category where we are today with the existing aircraft.

Mr. COURTER. What is the range? What are the legs on the Air Force One today?

Mr. LATHAM. 5,100 miles.

Mr. COURTER. So it is less than what you have today?

Mr. LATHAM. Yes, sir.

Mr. SPRATT. 4,500 nautical miles will take you anywhere in the continental United States.

Mr. LATHAM. That is true.

Mr. SPRATT. It will take you virtually anywhere inside continental Europe, won't it?

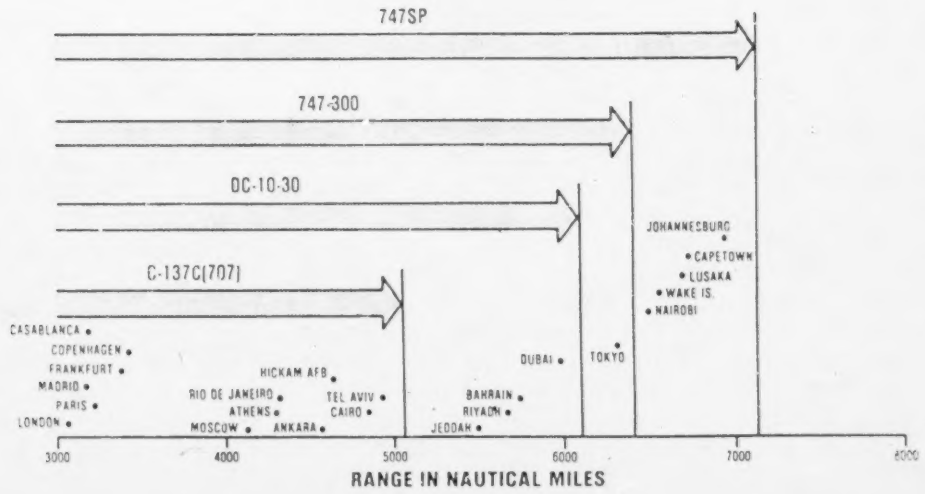
Mr. LATHAM. Put that chart back up.

AIR FORCE ONE

ACQUISITION STRATEGY

NONSTOP RANGE FROM ANDREWS AFB

- PRIME RUNWAY 9300 FT (1L/19R)
- ISA + 20°C TAKEOFF
- AIR FORCE ONE RESERVES



Mr. SPRATT. I noticed Nairobi, Capetown, and a few other things, but I didn't see anything on Europe.

Mr. LATHAM. Here is 5,000 miles right here. We are a little over 5,000 miles with the 137–C today, so 4,500 puts us here. The President can get to Athens. He can't get to Hickman. He can get to about Ankara unrefuled.

Mr. BATTISTA. You have options on the configurations of this thing. You have got that old VC flying, too, out there that has got about a 7,000-mile range.

Mr. LATHAM. Which aircraft?

Mr. BATTISTA. The 707. It is called the VC something or other. They call it the flying submarine. You have got better than 7,000 miles on that; is that correct?

Colonel BAILEY. VC–135 long range may do it although it is a smaller airplane.

Mr. BATTISTA. It is a smaller airframe, but you are over 7,000 miles on that.

Mr. LATHAM. Are there any other questions?

Mr. COURTER. Yes; one other question.

I think you said earlier, I just want to be clear in my mind, that the reason this is coming upon us in this unusual way is because the DC-10 is not going to be around for competition, if you don't do it in the early part of next year?

Mr. LATHAM. Yes, sir; that is correct. The production line for the KC-10, which is ongoing now, will be terminated and that the opportunity to have another airframe of that design produced on the line will soon become available.

Mr. COURTER. When is that line going to be terminated?

Mr. LATHAM. About 1987 right now. We will take last delivery of the last two KC-10's in 1987 to early 1988 timeframe is the schedule.

Mr. COURTER. When did you find out that the DC-10 would not be available for competition unless you moved on this?

Mr. LATHAM. Well, let me go back and trace.

Mr. COURTER. Did you know this a couple of years ago or is this something brand new?

Mr. LATHAM. No; this is something that we would have known probably a year or two ago, and the struggle we have been having is——

Mr. COURTER. You would have known it a couple of years ago?

Mr. LATHAM. We probably knew that a couple of years ago. We certainly knew the KC-10 schedule, and we probably could have ascertained it by asking whether or not they were going to be producing any more DC-10's from what they had on the sales chart.

The point that really drove us is that we had to get the requirement for this thing firmly agreed to, in order to agree that we would even go ahead with this. This has been a long, arduous task of trading horses back and forth between the Department of Defense and the White House Military Office and the other people in the White House as to what the requirement really was. We finally got agreement and scoped the thing down, and it was at that point then where we got very serious about, well, how do we acquire such an airframe.

Mr. COURTER. I have got another line of questioning. You are saying that you want to do this now because you want to have the competition. You can't have the competition if this is delayed too much longer.

Mr. LATHAM. Yes, sir.

Mr. COURTER. Because the DC-10 is not going to be in production.

Mr. LATHAM. That is right.

Mr. COURTER. That implies to me with the 747, if that is the way you have to go, you won't be able to get any type of a reasonable or commercial price for the 747. People in the business know what a 747 costs.

Mr. LATHAM. Correct.

Mr. COURTER. What is the ripoff cost and what is the nonripoff cost.

Mr. LATHAM. Right.

Mr. COURTER. And therefore what does competition get you?

Mr. LATHAM. I think competition is going to get us and even lower price, and even lower price than they ever thought.

Mr. COURTER. Are they still making 747's?

Mr. BATTISTA. Yes.

Mr. COURTER. A few?

Mr. LATHAM. Yes; I think that the prestige of having the next Air Force aircraft, Presidential aircraft Air Force One for the next 30 years, be it McDonnell-Douglas on the one side or Boeing on the other side, is going to incentivize those two companies to bring that aircraft system in at a price that is substantially lower than they would sell these airplanes to a commercial buyer.

Mr. SPRATT. It means a lot more to Boeing than McDonnell-Douglas because McDonnell-Douglas has no follow-on airplane.

Mr. LATHAM. Yes; they do. They have a new line of commercial aircraft that they are developing and that is another factor in this competition issue is that they need the people in the engineering factory for this new generation transports that they are developing. There is going to be another Douglas commercial aircraft.

Mr. SPRATT. We help them keep Long Beach open so they can develop another commercial aircraft? I am not saying that sarcastically.

Mr. LATHAM. No; the most that this would do would be to extend the KC-10 delivery by about 1 year is what we have been told.

Mr. BATTISTA. Are you talking about a commercial version of the C-17?

Mr. LATHAM. No; it is called the MD-11, whatever that is going to be. It is a follow-on to one of the current Douglas aircraft.

Mr. BATTISTA. I think you had better think about Mr. Courter's comment because quite candidly, there is kind of a fixed price out there for the 747. I suspect it is a heck of a lot lower than you are using here. There is a perception out there, and in this town, perception becomes reality regardless of what the facts are, that you are really not serious about anything other than the 747.

I am just telling you what the perceptions are, and the fact that you are not going to have any impact one way or the other anyway.

Mr. MCCLOSKEY. I want to thank you, Mr. Latham. I think we are running into a time problem. If your could excuse us for about 30 seconds so we could have a brief executive session, then you can come back with other materials. We do have a vote coming up. I think you have covered it up very well.

[Discussion off the record, 11 a.m.-11:10 a.m.]

[Whereupon, at 11:10 a.m., the subcommittee adjourned.]

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